

Message Text

UNCLASSIFIED

PAGE 01 COLOMB 03153 290530Z

ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01

/094 W

-----094207 290532Z /17

R 290230Z AUG 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 8019

UNCLAS COLOMBO 3153

E.O. 11652: N/A

TAGS: ECON, EAGR, EFIN, CE

SUBJ: A PROGRAM TO CREATE ONE MILLION NEW JOBS

1. SUMMARY: IN AN ARTICLE CARRIED BY ALL SRI LANKA NEWSPAPERS ON THE MORNING OF AUGUST 26, ESMOND WICKREMASINGHE, A CLOSE ADVISOR TO THE PRIME MINISTER, OUTLINED A PLAN FOR THE CREATION OF A MILLION NEW JOBS. THE ARTICLE CALLS FOR THE USE OF UN-UTILIZED CAPACITY THROUGH INCREASED IMPORTS OF RAW MATERIALS AND THE TOTAL ORIENTATION OF THE ECONOMY TOWARDS AGRICULTURAL DEVELOPMENT WITH EMPHASIS ON SMALL FARMERS, TRADERS, AND INDUSTRIALISTS. THE FREE TRADE ZONES, THE DEVELOPMENT OF PRIVATELY OWNED TRANSPORTATION FACILITIES, IMPROVED ESTATE MANAGEMENT, AND PUBLIC WORKS PROJECTS ARE ADDITIONAL WAYS OF GENERATING EMPLOYMENT SUGGESTED BY WICKREMASINGHE. IT IS INTERESTING TO NOTE THAT WICKREMASINGHE TWICE MENTIONS THE POSSIBILITY OF A DEVALUATION. END SUMMARY.

2. ALL AUGUST 26 MORNING NEWSPAPERS, VERNACULAR AS WELL AS ENGLISH, CARRIED A LONG ARTICLE BY ESMOND WICKREMASINGHE ENTITLED "CREATING A MILLION JOBS" WHICH OUTLINED IN MORE DETAIL THAN HAS YET BEEN MADE AVAILABLE HOW THE NEW UNP GOVERN-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 COLOMB 03153 290530Z

MENT PLANS TO SOLVE THE UNEMPLOYMENT PROBLEM. ALTHOUGH WICKREMASINGHE HAS NO OFFICIAL POSITION WITH THE GOVERNMENT, HE IS GENERALLY BELIEVED TO BE ONE OF THE PRIME MINISTER'S CLOSEST ADVISORS, AND HIS ARTICLE MUST BE CONSIDERED AT LEAST A SEMI-OFFICIAL POLICY STATEMENT.

3. WICKREMASINGHE STATES THAT IN ORDER TO PUT A MILLION MORE

PEOPLE TO WORK, THE UNP WILL HAVE TO GENERATE DIRECTLY NEW EMPLOYMENT OPPORTUNITIES FOR A MINIMUM OF 350,000 TO 400,000 PEOPLE, AND 500,000 WOULD BE A DESIRABLE TARGET. THESE JOBS WOULD CREATE ADDITIONAL DEMAND FOR GOODS AND SERVICES WHICH WOULD PROVIDE SECONDARY EMPLOYMENT WITH A MULTIPLIER EFFECT OF ABOUT 2.5.

4. TO ACHIEVE THIS GOAL QUICKLY, WICKREMASINGHE PROPOSES A MIX OF SHORT AND LONG-TERM MEASURES INCLUDING:

- THE IMMEDIATE UTILIZATION OF UNUSED CAPACITY THROUGH INCREASED ALLOCATION OF FOREIGN EXCHANGE FOR RAW MATERIAL IMPORTS, "IF NECESSARY AT THE PARITY PREVAILING BEFORE THE RECENT REVALUATION IN MARCH 1977, BUT PERHAPS THROUGH AN INCREASE IN THE FEER RATE." THIS WOULD ALSO HELP TO REDUCE UNIT COSTS "DESPITE A RISE IN THE RATE OF EXCHANGE." IN ORDER TO FINANCE A HIGHER LEVEL OF IMPORTS, WICKREMASINGHE CALLS FOR THE CREATION OF A "SAFETY NET" OF RS. 4,500 MILLION (ABOUT \$610 MILLION AT THE CURRENT OFFICIAL EXCHANGE RATE) EQUIVALENT TO APPROXIMATELY EIGHT MONTHS' WORTH OF IMPORTS. (GROSS EXTERNAL ASSETS AT THE END OF JULY TOTALED \$214 MILLION--NET RESERVE FIGURES ARE NOT PUBLISHED BUT ARE PROBABLY STILL NEGATIVE.) TO RAISE THE NECESSARY FUNDS, WICKREMASINGHE PROPOSES BORROWING FROM THE IMF AND FOREIGN COMMERCIAL BANKS, PLUS INCREASING FOREIGN EXCHANGE EARNINGS BY 1) INVITING FOREIGNERS TO RESIDE IN SRI LANKA, 2) LIBERALIZING CERTAIN EXCHANGE CONTROLS TO ENCOURAGE "UNDERGROUND FOREIGN EXCHANGE RESOURCES"

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 COLOMB 03153 290530Z

TO MOVE IN LEGAL CHANNELS, AND 3) ENCOURAGING THE MORE THAN 100,000 OVERSEAS SRI LANKANS TO HOLD A PORTION OF THEIR SAVINGS IN CONVERTIBLE ACCOUNTS IN LOCAL BANKS.

- THE LONGER TERM AND MORE PERMANENT SOLUTION TO THE UNEMPLOYMENT PROBLEM WILL BE THROUGH STIMULATION OF THE RURAL ECONOMY, WICKREMASINGHE BELIEVES. HE ENVISIONS THE EMERGENCE OF SMALL FARMERS, TRADERS, AND INDUSTRIALISTS IN THE RURAL SECTOR WITH PROPERTY OWNERSHIP "DISPERSED IN MILLIONS OF PRIVATE HANDS." THE "NEW INDUSTRIAL STRATEGY OUTSIDE THE FREE TRADE ZONE MUST SHIFT AS FAR AS POSSIBLE TO SUPPORTING THE DEVELOPMENT OF THE AGRICULTURAL SECTOR OF THE ECONOMY. INVESTMENT IN AGRO-BASED AND AGRO-SUPPORTING INDUSTRIES SHOULD RECEIVE THE HIGHEST PRIORITY." IMPORT SUBSTITUTION, EXPORT PROMOTION, EXISTING LARGE-SCALE INDUSTRIES, AND CERA IMPORTS SHOULD ALL BE RESTRUCTURED TO SUPPORT THE RURAL SECTOR.

- THE PROPOSED FREE TRADE ZONES AROUND TRINCOMALEE AND THE INTERNATIONAL AIRPORT NEAR COLOMBO ARE EXPECTED TO PROVIDE EMPLOYMENT AND TO INTRODUCE ADVANCED TECHNOLOGY. WITHIN THE ZONES "ALL LABOR WILL BE FROM SRI LANKA, EXCEPT WHERE THERE ARE NO SUITABLY QUALIFIED SRI LANKANS." ACCORDING TO WICKREMASINGHE, APPROXIMATELY 100,000 JOBS COULD BE PROVIDED BY THE FREE TRADE ZONES.

- WICKREMASINGHE SUGGESTS THAT GIVEN THE BREAKDOWN OF THE PUBLIC TRANSPORTATION SYSTEM, THAT PRIVATELY OWNED VEHICLES BE ALLOWED TO CARRY GOODS AND PAYING PASSENGERS WITHOUT RESTRICTION. THIS WOULD HELP TO EASE TRANSPORTATION BOTTLENECKS AND PROVIDE EMPLOYMENT OPPORTUNITIES FOR INDEPENDENT BUSINESSMEN/DRIVERS.

- INTRODUCTION OF MODERN MANAGEMENT TECHNIQUES ON THE NATIONALIZED ESTATES IS URGENTLY NEEDED TO INCREASE EMPLOYMENT.

- IN ADDITION TO THE ABOVE WAYS OF ATTACKING UNEMPLOYMENT WICKREMASINGHE ALSO OUTLINES A PUBLIC WORKS PROGRAM OR ROAD BUILDING AND REPAIR, DEVELOPMENT OF MINOR IRRIGATION PROJECTS, SOIL CONSERVATION AND REFORESTATION PROGRAMS, AND THE DEVELOPMENT OF THE COLOMBO REGION.

WRIGGINS

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 COLOMB 03153 290530Z

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, EMPLOYMENT, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB03153
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770311-0284
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770814/aaaaalba.tel
Line Count: 136
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b3075851-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1453963
Secure: OPEN
Status: NATIVE
Subject: A PROGRAM TO CREATE ONE MILLION NEW JOBS
TAGS: ECON, EAGR, EFIN, SOPN, CE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b3075851-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009